P 58 E

Prem

App. F. IX-4

Previous References

1936-37
(C.S)

File No. 11-36

Serial Nos. 58, 290
293-296.

Letter References

PRESERVED

GENERAL AND REVENUE SECRETARIAT.

Serial Nos.
290
Prem

Part B for Sep 296

SUBJECT.

Recommendations of the Committee on Chapter of the Report on Co-operation regarding the employment of Co-operative societies in the Cultivation of

9—1671 dt 7.9.37

to Regn. of Co-op. Societies

WD 0295—GPB—22,500—13-8-37

Pass. Order on the —

GENERAL AND REVENUE SECRETARIAT.

(65)

NOTES.

File No. 11-36

FILE HEADING.

Recommendation of the Committee on Cooperation

FROM The Registrar of Cooperative Societies in Mysore

No. 6643 Dated 15-2-37 Received 16-2-37

Diary No. 449 Enclos. one Spare copies — Serial No. 58

BRIEF ABSTRACT OF LETTER

Forwards his views on Chapter VI of the Report of the Committee on Cooperation.

NOTES AND ORDERS.

A list of tentative conclusions arrived at in a meeting of the Secretaries with the Registrar and the General Secretary is submitted herewith. A draft G.O on the lines of the tentative conclusions and also with reference to the remarks of the Registrar on the Report is submitted for consideration with reference to the above.

28/11/37 (Sec L.S.G.) 16/28

Typed draft G.O. is submitted for approval.

NOTES—First Sheet 4/11/37

16/4

WD 69—GBPM—5,000—14-7-31 (Sec L.S.G.)

Recommendations of the Committee on Co-operation

Ref File No 11 of 1936

General and Revenue Secretariat

Draft order for approval

Sept VI

[illegible]
11.7.38

I Member)

OFFICE
SECOND MEMBER OF COUNCIL
11 JULY 1938
No. 53

Revised draft as instructed

568

[illegible]
15.8.38

16/8

II Member)

[illegible]
17/8/38

[illegible]
17.8.38

Necessary corrections are made in the proceedings after the second further meeting of the Standing Finance Committee held today

[illegible]
29.8.38

18.8.

29.8.38

This can be seen

I Member

Dewan

2347

30/8

[illegible]
30/8

[illegible]
30-8-38

[illegible]
31.8.38

31/8.

TYPING SECTION
GENL & REV SECTT
1 SEP 1938

C.S. 11-36-293

GOVERNMENT OF MYSORE

145

M. ABDUL HUKH, Esq., B.A.

DEPARTMENT OF CO-OPERATION

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

D. O. No. 428

Camp Chellakere, 10th Septr. 38

Dated Bangalore, ... 193 .

SECY. LOCAL [illegible] GOVT OF MYSORE 12 SEP 1938

GEN. & REVENUE SECRETARIAT. 12 SEP 1938 DEVELOPMENT BRANCH.

Dear Mr. Krishna Rao.

Please refer to page * of G.O.No.D.1671/C.S.11-36-290 dated 7th September 1938. I think that the word "expenses" in the 2nd line from the top in this page is a mistake for "capital". If you agree, the words "as working capital, or for granting loans for productive purposes etc." may be substituted for "for working expenses, productive purposes etc."

Yours Sincerely,

M. Abdul Hukh

P.H.Krishna Rao, Esq., M.A.,
Secretary to Government, L.S.G. Department,
Bangalore.

NOTES AND ORDERS.

It is submitted that the words "working expenses" (by mistake which was left unnoticed while going through the) used at the time of the revising of the draft G.O. If otherwise the Corrections suggested by the Registrar will be incorporated in the G.O which has not yet been published in the Gazette. Instructions have been sent to the Press to send a copy of the proof for necessary corrections and note.

A draft D.O. letter to the Registrar is also submitted.

Both in the draft & the fair it is "Expenses" and "Capital"

14/9/38

Secy. to G.

TYPING SECTION. 15 SE [illegible] GENL

NOTES—First Sheet

C S. File No. 11 of 1936. | General and Revenu Secretariat

No. D 190.0 dt 16.9.38 To the Registrar. C.S. 296

States that necessary Corrections are being made in the Copy sent for publn in the Gazette & requests that the Corrections suggested may be incorporated in the Copy & that Govt may be informed.

Chapter VI

Before [illegible]

[illegible]

[illegible]

GOVERNMENT OF MYSORE

4 C.S. 2C7

DEPARTMENT OF CO-OPERATION.

Telegraphic Address: "CO-OPERT" BANGALORE

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

C.S. 11-36-58 Dated, Bangalore 15th February 1937. 447.

From

GULAM MOHIYUDDIN MEHKRI, ESQ., B.A., LL.B.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

REGISTRY 15 FEB 1937 DEVELOPMENT BRANCH

To

M.Venkatesa Iyengar,Esq.,M.A.,
General Secretary to the Government
of Mysore,B a n g a l o r e.

GENERAL 15 FEB. 1937

Sir,

In continuation of my letter No.5637/C.S.dated 9th Jany. 1937, I have the honour to forward herewith for orders of - Government, my views on the recommendations made by the - Mysore Co-operative Enquiry Committee - 1936 in Chapter VI of their Report.

I have the honour to be,
Sir,
Your most obedient servant,

M. S. [illegible]

Registrar. 18/2

L.S.11/2.

CO-OPERATIVE ENQUIRY COMMITTEE REPORT.

1936.

No.of Chapter.	Reference to page of the Report.	Subject matter in brief.	Action taken or proposed to be taken.
1	2	3	4
1) VI.	90	Preliminary investigation in granting loans.	The recommendations are mere instructions to societies. Such instructions are generally contained in the byelaws of societies and are also being given to them during inspections and general meetings. No Government or Departmental action is necessary.
		A loan should in no case be given without adequate preliminary investigation. In the case of loans to societies, the central financing bank ought to make its own independent investigation irrespective of the Registrar's recommendation. In the case of loans to individual members, it is most important to scrutinize carefully the purpose of the loan and the repaying capacity of the b[illegible]	
2) do	91	Individual borrowings to be confined to one society.	My recommendations on the subject are contained in letter No. 5497/C.S.dated 5th January 1937 while submitting my views on the recommendation of the Committee in Chapter I.
		Where a person is a member of more credit societies than one, he should be required to confine his borrowings to one of	
		CHAPTER V. PART II—Finance.	
3) do.		Period of Loans.	I consider that the general rule should be, that owned capital of societies should be confined to the issue of only short term credit and that loans to be issued for longer periods up to ten years - should be obtained from the Apex Bank and granted by societies to their members. For periods exceeding ten years, Land Mortgage Banks should be approached. I have not hesitated to recommend the grant of loans upto 10 years by the Apex Bank, since the Bank accepts and
		Co-operative institutions should be required to confine their business to short term credit, that is, for periods not exceeding five years and, with due circumspection, to credit for intermediate periods between five and ten years. Credit for periods over ten years must be treated as long credit, and altogether eschewed by the ordinary co-operative institutions.	

and actually holds large Fixed Deposits for 10 years, though elsewhere, because the Provincial Banks do not hold such long term deposits, the opinion is held that the Provincial Bank should not indulge in the issue of loans for periods longer than 5 years. Further the operations of the Land Mortgage Bank do not extend to all the Taluks at present and even if they do, loans below Rs.500/- and if the Committee's recommendation to reduce the minimum limit to Rs.300 is accepted, sums below Rs.300 can not be sanctioned by it The Provincial Apex Bank, which is issuing mortgage loans, can besides lending to people in areas not touched by the Land Mortgage Banks, also advance to people wanting loans below Rs.300, in places where the Land Mortgage Scheme is in operation. If a rule is made that the Apex Bank should not issue loans repayable in more than 5 years, it might cause great hardship to poorer agriculturists requiring longer periods for repayment of their debts. The repayment of the intermediate loans may therefore be fixed at 10 years.

VI. 93 & 94. Fixing of credits & introduction of normal credit in primary societies.

As it is, the complaint is that the Directors take very little interest in the scrutiny of loan applications and the utilisation

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Except in rural societies with a limited membership, the fixing of credit for each individual member is a matter not for the general meeting, but for the managing committee, subject to the maximum credit limits fixed by the general body.

The introduction of the normal credit system in primary societies is desirable, particularly as regards rural societies.

utilisation of the loan amounts. If the normal credit limit is fixed, which means that the Secretary or the Committee might issue loans from time to time to individuals within that limit, the - opportunities to look into the applications or control the use of the loan amounts would be much less. Also such a system affords ample opportunities for an unscrupulous Secretary to commit frauds or to harass or favour parties according to his single whims. - Further, subsequent to the fixing of the limit, changes might occur in the financial position and the credit-worthiness of the borrower It is therefore best and safest that each time the loan is applied for by any member, the purpose, the need, the security, the repaying capacity etc., are all scrutinised and the loan sanctioned. I therefore do not support this recommendation.

5 VI. 94 & 95. Information as to loans.

In the case of societies with unlimited liability, a list showing the loans issued to every member, the names of sureties, and the amount of loan unpaid, should be kept open to inspection.

The recommendation of the Committee may be accepted. Instructions have accordingly been issued to societies of unlimited liability to keep open for inspection a list showing the loans issued to - every member, names of sureties and the amount of loan. According to the form of report prescribed by the Department to be read at

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at general meetings, the general body members will have full knowledge of the accounts and the affairs of the society. It has been further instructed to the Inspectors that a statement showing the credit and debit balances of every member of the society should be read at the general meetings of rural societies. The Urban Societies do in practice send the certificates of such balances at the close of the year to every member and depositor.

A copy of the Circular issued to Societies with Unlimited Liability is enclosed for perusal.

This practice is in vogue at present in well-managed societies.

At present the rates of interest are generally regulated on the lines recommended by the Committee. The recommendations will be borne in mind when approving the subsidiary rules of societies relating to the rates of interest.

The recommendations of the Committee regarding the security to be obtained for several kinds of loans do not appear to be quite practicable and the system that each society has adopted according to its own

6) In well established societies, the practice of allowing cash credits to individual members may be adopted with advantage. Similarly, cash credits should be freely opened by the Central financing institution in favour of well managed societies, but should be subject to annual renewal.

7) do. 95 & 96. Margin of interest.

The rates of interest charged by the Central financing Banks on loans to societies must, on the one hand, be materially lower than those charged in the bazaar to persons of the class from whom the members are drawn, and yet must be substantial enough to provide the large margin necessary for maintaining adequate fluid resource, building up a reserve, and meeting working expenses. The rates will, at the same time, vary on a definite system with reference to the character of the borrowing society and the length of the loan. Two and a half or at most 3 per cent may be taken in the average as a safe and reasonable margin. The maximum rates charged by societies to members should not depart widely (that is, by more than one or one and a half per cent) from the current market rates.

be sed nal

securities for all loans, and to protect themselves by limiting the loans issued to amounts and periods for which such security is suitable. In the case, however, of loans for intermediate periods,

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own circumstances and local usuage seems to be good enough.

q)	VI.	98.	Taking over lands of defaulters.

Societies may be permitted, in the absence of bidders for the lands of defaulters, to take them over for a nominal bid, administering them like trust properties on behalf of the defaulters and returning them to the latter whenever the liability is liquidated.

The next recommendation of the Committee suggesting that societies may take over lands of defaulters and administer them in trust on behalf of defaulters does not seem to be practicable either. As it is, the societies are finding it a great problem to advantage-ously manage the few lands that have got into their possession and in most such cases they are lying fallow or are allowed to be enjoyed by their previous owners. The credit societies as at present constituted, are incapable of administrating lands on their own behalf and still less on trust. I also wish to add that at the recent Conference of Registrars of Co-operative Societies, the question of the possession of large tract of lands belonging to defaulters of societies taken over by the ~~bidder~~ lattis and their disposal was considered and the Conference felt unable to advise usefully in the matter.

b)	do.	98	Loans on crops.
		99	Prior claim to be converted into a charge.

Agricultural credit societies, and loan and sale societies, should grant short term loans on the security of harvested crops grown by members, and, under due safeguards, on standing crops also.

I have already submitted my proposals on this in my letter No. 5566 dated 7th January 1937 wherein I have also suggested that the loan should be converted into a charge. I agree with the Committee that such a loan should have a priority over any claim of Government

Section 19 of the Regulation gives a society a prior claim to enforce demands against certain property of its members. This should be converted into a charge so that a society may have a first claim without having to obtain a decree. The priority should be made available against any claim of the Government arising from a subsequent loan under the Land Improvement Loans Regulation.

11) VI. 99. **Shares and Provident Fund Bonds not to be accepted as security.**

The member's own share should never be accepted as security for a loan. Similarly shares held by a society in a Central institution should not be accepted by the latter as security for a loan. The security required from societies should ordinarily take the form of pro-notes. It is very undesirable to accept Provident Fund Bonds as security for loans.

12) do. 100. **Disbursement of loans.**

Loans should be disbursed with fair promptitude. The introduction of a system of normal credits will help substantially to minimize delay in the issue of loans. Where loan applications are numerous, sub-committees may be appointed to grant loans up to a specified limit, beyond which the applications should come before the full committee of management

13) do. 101 .. **Utilisation of loans.**
102 .. **Repayments.**
102 .. **Penal interest & Rebates**

The proper utilization of the loan should not be left to the borrower's discretion or the vigilance of his sureties, but should be watched and scrutinized by the managing committee.

While the special needs of individual borrowers will determine the periods for which loans are granted, repayments should be on dates convenient to the borrower as well as to the society or bank.

Penal interest, if levied, should not be excessive; in any case it should not exceed the ordinary rate by more than two per cent. It is desirable to have a regular system of rebates for prompt repayments

Government arising from a subsequent loan under the Land-improvement Loans Regulation.

I agree with the Committee that the societies should be forbidden to grant loans on the security of share amount and the Provident Fund Bonds though they have always a lien on such amounts for any dues from the member to the society. A Circular to this effect has been issued to all societies accordingly. (Copy enclosed for reference).

There is generally very little delay in the disbursement of sanctioned loans excepting when in very poor societies sometimes funds are wanting. Even there, there is no serious complaint of any long delay. No action seems necessary on the Committee's recommendation.

The recommendations of the Committee regarding utilisation of loans, repayments, levy of penal interest, grant of rebates and grant of renewals have all been already contained in the byelaws of societies. The trouble is that they are not being properly followed. The remedy should come through a better and wider knowledge of the principle involved. Suitable instructions are being issued by the Department at inspections

inspections and general meetings.

(14) VI. 103-104. Adjustments of payments.

"All payments on account of decreed debts should be carried to principal and not to interest; no credit should be taken for interest until the principal has been repaid.

Mr. Sesha Sastri & Krishnaswami
distant
repayments must be real and
must contribute into a real
reduction of the borrower's liabilities
and not be made by a rearrangement
of debts.

(15) do. 105. Accounts of loan.

The system of accounts should show clearly whether any repayments have been made, what loans have been extended, and which have become overdue. Renewed and overdue loans must be clearly discernible. Loans overdue for more than three years should ordinarily be treated as bad debts.

The mode of adjustment of payments on account of decretal debts proposed by the Committee is what I have always held to be the right one. A Circular will be issued to the societies instructing that all payments relating to a decree debt should first be deducted towards the cost of suit and other legitimate charges and next towards principal, the interest being credited only after the whole of the principal has been repaid. (Vide Circular). This makes the society's finances safer. This adjustment is advised with regard to the preparation of the profit and loss accounts of societies and the balance sheet but in calculating the claim against the judgment-debtor however, the recoveries will be first adjusted towards costs and interest and the balance towards principal.

I do not agree with the Committee that loans overdue for more than three years should necessarily be treated as bad debts. We often times find that several well secured debts are more than three years overdue. The Balance-sheets should however show among the outstandings, the amounts overdue and also the amounts considered bad and doubtful under separate

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separate headings. The account under the classification of "Bad and Doubtful" should be based on the actual nature of the debts and not merely on the period they are overdue. A Circular has been issued to the societies accordingly and a copy thereof enclosed for kind information.

(6) VI. 106. Responsibility for negligence.

The members of the committee should be made personally responsible, jointly and severally, for the repayment of loans which by their negligence may have become time-barred.

A Circular has already been issued to the societies warning the members of Committees that they will be personally made responsible for the repayment of loans which get time-barred owing to their negligence. (Copy enclosed). I believe that when the Law of Limitation applies to Co-operative disputes such a liability does lie on the negligent Directors under the ordinary law if they fail to take timely action for the recovery of the amounts. In this connection I wish to invite the attention of Government to the recent amendment of the Co-operative Act in the Madras Presidency where the powers of adjudication of the responsibility of the Directors present or past for all irrecoverable loans granted by them without due regard to the safety of the loans or the provision of the byelaws are vested in tne Registrar. The introduction of such an amendment will have a salutary effect on the proper

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			proper management of societies. If Government approves, the necessary amendment to tne Regulation on the lines of the Madras Act will be - submitted.
			I may also point out that this question came up for discussion at the recent Conference of the Registrars." There was difference of - opinion, Burma, Bengal, Assam, Hyderabad and Baroda being opposed to making members and office-bearers liable for losses caused by negligence or misconduct and all other Provincies, Mysore and Travancore being in - favour of this. No resolution was therefore passed on this subject.
VI.	109.	Disqualification of defaulters.	As a common practice, when a defaulter has been sued he is also removed from membership except where the society is indebted to any central institution when he is continued as a member in order to continue him liable for the society's debts to the Central Institution. Instructions have also been issued to the societies to disqualify any person who is a defaulter for more than three to six months from being elected to the Directorate.
		Persons against whom coercive steps have been taken show themselves to be unfit to continue to be members, and should automatically cease to be such (unless liable only as sureties.) A person who has defaulted in respect of his own loan for three months should be disqualified from the office of a member of the committee.	
(8)	do.	109.& 110. Systematic examination of outstandings.	These are instructions to the societies and the Financing Banks.

The

Societies and financing banks should undertake a systematic examination of their financial position with reference to their outstandings. Every loan in each society should be examined with a view to ascertain whether it is adequately secured, and whether action should be taken at once to collect it, or time can be given to enable the borrower to pay it of his own accord. In addition to action taken by societies, the Central institutions should themselves set on foot intensive schemes for an examination of all loans outstanding against members in primary societies.

Systematic examination of outstandings.

(9) **VI. 111-112. Overdue interest not to be included in net profits.**

There should be a definite rule prohibiting the inclusion of all accrued and unrealized interest for the purpose of reckoning profits for distribution. But in the case of Central institutions the Registrar may, in special cases, permit an exemption in favour of preference shareholders. Interest earned but not realised should be shown separately in the profit and loss account. All accrued interest so deducted, which is actually recovered during a subsequent year, may, however, be permitted to be added to profits of such year available for distribution. No dividend should be paid otherwise than out of profits actually realized.

29) **VI. 112. Maximum Dividends.**

The maximum dividend should be restricted to a fair interest on capital.

The Apex Bank has already undertaken such an examination. In a Circular issued to the societies by the Department, containing instructions regarding the agenda or business to be transacted at the meetings of Directors, the examination of a list of outstandings, and consideration of the action to be taken in each case are emphasised.

Excepting the Central Co-operative Bank and the Apex Bank, no other society is taking accrued interest as profits for distribution. For the last two or three years these two Banks have also built up a reserve against accrued but unrealised interest utilised for profits, and seem to have realised the wisdom of coming to the practice of taking only realised interest for profits. This question was also discussed at the last Conference of Registrars of Co-operative Societies in Delhi and it was resolved that in future all unrealised interest should be carried to an interest suspense account until it is realised.

The recommendations of the Committee in this respect follow the practice actually in vogue in rural societies.

There

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		Thrift and savings societies, which neither borrow from non-members nor lend to members in excess of their assets, should be exempted from maintaining a compulsory reserve	
21)	VI.	113. Reserve in case of thrift and Savings Societies.	There are no such societies now.
22)	do.	114. Employment of reserves.	I am of opinion that as was resolved at one of the Provincial Conferences all societies should be compelled to invest one-third of their reserve fund amount outside and that the balance may be permitted to be utilised by them with the sanction of the Registrar as working capital of the society and that the outside investment of the one-third should be in the Apex Bank, investments in excess of it being permitted in other forms prescribed in the Regulation. An amendment to Rule 17 of the Rules under the Co-operative Societies' Regulation will have to be passed to this effect. If this meets with the approval of Government the necessary amendment to Rule 17 will be proposed. As recommended by the Committee the societies will be made to pay interest on the portion of the reserve fund utilised by them at the rate they pay for one year deposits.
		Usually, the reserve fund should be invested in one or other of the modes laid down in the Regulation and rules up to a limit prescribed by the Registrar, the excess being permitted to be employed productively in the society's own business In societies of unlimited liability, the bulk if not the whole of the reserve fund may be used in their ordinary business as working capital; so also in societies which have no deposits. But in other societies a moiety of the reserve fund should ordinarily be invested outside.	
23)	do.	115-116. The creation of a separate Bad-Debt Fund.	The formation of a Bad Debt Fund has come into vogue latterly in several societies. A Circular has also again been issued to the societies
		Co-operative societies and banks should be required to make satisfactory provision for all overdue loans considered to be irrecoverable before any dividend is declared. After the building up of a reserve fund has made some progress, it will be desirable to form a special Bad Debt Fund in addition.	

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			societies suggesting the creation of such a fund as adding to their financial stability. (Copy enclosed).
24) VI.	117.	Contributions to charitable purposes.	The Co-operative Committee have recommended that the limit of contributions to charitable purposes may be raised to 20 per cent of the net profits and that at least one third of the aggregate should be ear-marked as a provincial fund for the promotion of co-operative education. Various deductions are proposed to be made from the net profits and the increase suggested might tend to create dis-satisfaction and distrust among the members. I should think that the present percentage of 15 per cent is quite ample and it is not necessary that the limit should be raised. As already observed in another connection (Vide this Office letter No.5565 dated 7th January 1937), 2½ per cent of the net profits (which is to be included within the 15 per cent limit) should be made a compulsory allotment for co-operative education purposes to be transferred to the Co-operative Institute.
		The limit of contribution fixed in section 34 of the Regulation may be raised to 20 per cent of the net profits, and at least one-third of the aggregate earmarked as a provincial fund for the promotion of co-operative education.	

L.S.11/2.

W. S. [illegible] 14/4/37
Registrar.

ನಂಬರ್ ಕೆ. ಸಿ. ಎಸ್.

ಮಲಪೂಫಿ ನಂಬರ್

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ಸಂಖ್ಯೆ ಲಿಕ್ವಿ. ಸಂ. 18. ತಾ|| 11- 2- 37.

ಇವರಿಗೆ

ಶ್ರೀಯುತ ಅಧ್ಯಕ್ಷರು ಮತ್ತು ಕಾರ್ಯದರ್ಶಿಗಳು ಸಹಕಾರಿ ಸಂಘ ನಿಯಮಿತ

ಸೆಕ್ರೆಟರಿಯವರಿಗೆ

ಸಹಕಾರಿ ಸಂಘಗಳ ಕಾಯಿದೆ ೧೯೧೨ ರ ಕಲಂ ೪೬ ರ ಪ್ರಕಾರ ಸಂಘವನ್ನು ಮುಚ್ಚಿ ಲಿಕ್ವಿಡೇಟರ್ ನೇಮಿಸುವ ಬಗ್ಗೆ.

ಮೇಲ್ಕಂಡ ಸಂಘವು ಸಹಕಾರಿ ಕಾಯಿದೆ ೧೯೧೨ ರ ಕಲಂ ೪೬ ರ ಪ್ರಕಾರ ಮುಚ್ಚಲ್ಪಟ್ಟಿರುವುದಾಗಿ ಈ ಕಛೇರಿಯಿಂದ ಆಜ್ಞೆಯಾಗಿರುತ್ತದೆ. ಈ ಸಂಘದ ಸಂಬಂಧದಲ್ಲಿ ಸಹಕಾರಿ ಕಾಯಿದೆ ೧೯೧೨ ರ ಕಲಂ ೪೬ ರ ಪ್ರಕಾರ ಲಿಕ್ವಿಡೇಟರ್ ನೇಮಿಸಲು ಉದ್ದೇಶಿಸಿರುವುದರಿಂದ ಸಂಘದ ಆಸ್ತಿ ಪಾಸ್ತಿಗಳ ಲೆಕ್ಕ ಪತ್ರಗಳ ಪರಿಶೀಲನೆಯನ್ನು ಮಾಡಿ ಸಂಘದ ಸ್ಥಿತಿಗತಿಗಳ ಬಗ್ಗೆ ಸಂಪೂರ್ಣ ವರದಿಯನ್ನು ಸಲ್ಲಿಸಲು ಸಂಘದ ಸದಸ್ಯರಲ್ಲಿ ಒಬ್ಬರನ್ನು ಆಯ್ಕೆ ಮಾಡಿ ಕಳುಹಿಸಲು ಸಂಘದ ಸಾಧಾರಣ ಸಭೆಯಲ್ಲಿ ತೀರ್ಮಾನಿಸಿ ಆ ಸಭೆಯ ನಡವಳಿಕೆಯ ಪುಸ್ತಕದಲ್ಲಿ ಬರೆದು ಸಹಿ ಮಾಡಿ ಆ ಸಭೆಯ ಅಧ್ಯಕ್ಷರು ಮತ್ತು ಕಾರ್ಯದರ್ಶಿಗಳು ಸಹಿ ಮಾಡಿರುವ ಪ್ರತಿಯನ್ನು ಈ ಕಛೇರಿಗೆ ಕಳುಹಿಸಿಕೊಡಲು ಕೋರಿದೆ.

P.T.O

ನಂಬರ್ ಕೆ. ಸಿ. ಎಸ್.

ಮೂಲಪೂಫಿ ನಂಬರ್

ಮೈಸೂರು ಗೌ[illegible]-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ಪ್ರಸ್ಕೃತ ಲಾಗಾ ಪುಟ 19. ನಕಲು 11-2-37.

ತಾಲ್ಲೂಕು

ಮೈಸೂರು ಸಂಸ್ಥಾನದಲ್ಲಿ ಎಲ್ಲಾ ಪರಸ್ಪರ ಪ್ರಯೋಜನ ಸಂಘಗಳಿಗೆ ಸಂಬಂಧಪಟ್ಟವರಿಗೆ

ಸಹಕಾರ ಸಂಘಗಳ ಕಾಯಿದೆ ಪ್ರಕಾರ ಸಹಕಾರ ಸಂಘಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ ಅವರಿಂದ ಸಹಕಾರ ಸಂಘಗಳ ನಿಯಮಾವಳಿಗಳ ಪ್ರಕಾರ ಸಹಕಾರ ಸಂಘಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ ಅವರಿಗೆ ಅಧಿಕಾರವಿರುವ ಸಹಕಾರ ಸಂಘಗಳ ಕಾಯಿದೆಯ ಪ್ರಕಾರ ಸಹಕಾರ ಸಂಘಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ ಅವರಿಗೆ ಅಧಿಕಾರವಿರುವ

ನಂಬರ್ K. S. S.

ಮೂಲಪ್ರತಿ ನಂಬರ್

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ಶ್ರೀ ಬಸ್ವಲಿಂಗಪ್ಪ ಬಿ.ಎ. 16 ಸಕ್ಕಿ 11- 2- 37

~~ಸಾಹುಕಾರರು~~

ಲಿಲಿಸಿ ಮಾಡಿಕೊಳ್ಳುವವರಿಗೆ ಮಾಡಿಕೊಳ್ಳುವವರ ಪ್ರೋತ್ಸಾಹಕರಾಗಿ

~~ಸೇರಿಕೊಂಡವರಿಗೆ~~

ಲಿಲ್ಲಿ ಹಂಪ್ಪಗಳು ಸ್ವಾಮಿಯು ಶ್ರೀರಂಗಪಟ್ಟಣದಲ್ಲಿ ವಕೀಲರ ನಿವಾಸ
ಕಿದಾಯವು ಪಲ್ಲಿ 1/4 ಭಾಗವನ್ನು ರಿಜಿಸ್ಟ್ರಿ ಕಂಪನಿಯಾಗಿ ಕೆಲವು ಜನರು
ಪ್ರಮುಖರಿಯಲ್ಲಿ. ಇದಲ್ಲದೆ ಹಿಂದೂ ಬಂಧುಗಳಿಗಾಗಿ ಪ್ರತ್ಯೇಕವಾಗಿ
ವೆಂಬಲಗಸ್ಥಳದಲ್ಲಿ ಇರುವ ಹಂಪ್ಪದ ಭಾಗವನ್ನು ಮಾಡಿ ವೆಂಬ
ರುಗಳಿಗೆ ಸಿಲಾಬಿದ್ದಿರುವಸ್ಥಳ ಕಟ್ಟಿಸಿ ಮಾರುವ ವಿಚಾರದಲ್ಲಿ ಬರಳಿಸಿದ್ದಾರೆ
ಕಡಾಯವು ಮಾಡಿಕೊಂಡಿರೆ. ಈ ಪ್ರಕಾರ ಶ್ರೀ ಹಂಪ್ಪದವರು ಪ್ರತಿನಿಧಿ
ಪಲ್ಲಿ ಅಮೂಲ್ಯ ರಿಜಿಸ್ಟ್ರಿ ಕಂಪನಿಗೆ ಕೆಲವು ದಿವಸ ನಿವೃತ್ತಿಯಾಗಿ

P. T. O.

ನಂಬರ್ ಕೆ. ಸಿ. ಎಸ್.

ಮೂಲಪ್ರತಿ ನಂಬರ್

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ಸರ್ಕ್ಯುಲರ್ ನಂ. 17. ದಿ 11-2-37.

ಮೈಸೂರು ಸಂಸ್ಥಾನದಲ್ಲಿರುವ ಎಲ್ಲಾ ಸಹಕಾರಿ ಸಂಘಗಳ ಮೆಂಬರುಗಳವರಿಗೆ

ಎಲ್ಲಾ ಸಂಘಗಳಿಗೂ ತಮ್ಮ ಬ್ಯಾಲೆನ್ಸು ಲೆಕ್ಕಪುಸ್ತಕಗಳನ್ನು ಕಿಸಿ ನಂತರ ಲೆಕ್ಕಪರಿಶೋಧಕರಿಂದ ಪರೀಕ್ಷೆ ಮಾಡಿಸಿ ಅವರ ಸರ್ಟಿಫಿಕೇಟನ್ನು ಪಡೆದು ಅದರ ಪ್ರತಿಯನ್ನು ಈ ಆಫೀಸಿಗೆ ಕಳುಹಿಸಿಕೊಡಬೇಕೆಂದು ಈಗಾಗಲೇ ಸೂಚನೆ ಕೊಟ್ಟಿರುವುದು ತಮಗೆಲ್ಲಾ ತಿಳಿದಿರುತ್ತದೆ. ಇನ್ನೂ ಕೆಲವು ಸಂಘಗಳವರು ಲೆಕ್ಕಪರಿಶೋಧಕರಿಂದ ಪರೀಕ್ಷೆ ಮಾಡಿಸಿ ಸರ್ಟಿಫಿಕೇಟನ್ನು ಪಡೆದು ಕಳುಹಿಸಿಕೊಡಬೇಕಾಗಿರುತ್ತದೆ. ಇನ್ನೂ ಕೆಲವು ಸಂಘಗಳವರು ಲೆಕ್ಕಪರಿಶೋಧಕರಿಂದ ಪರೀಕ್ಷೆ ಮಾಡಿಸಿ ಸರ್ಟಿಫಿಕೇಟನ್ನು ಪಡೆದು ಕಳುಹಿಸಿಕೊಡಬೇಕಾಗಿರುತ್ತದೆ. ಇದರಿಂದ ಸಂಘದ ವ್ಯವಹಾರವು ಸರಿಯಾಗಿ ನಡೆಯುತ್ತಿದೆಯೆಂದು ಸಂಘದ ಮೆಂಬರುಗಳಿಗೂ ತಿಳಿಯುವುದಲ್ಲದೆ ಸಂಘಕ್ಕೆ ಕೆಲವು ಅನುಕೂಲಗಳೂ ಆಗುತ್ತವೆ. ಇದರಿಂದ ಸಂಘದ ಮೆಂಬರುಗಳಿಗೆ ಈ ಕೆಳಗಿನ ಲಾಭಗಳು ಉಂಟಾಗುತ್ತವೆ.

(1) ಲೆಕ್ಕಪರಿಶೋಧಕರಿಂದ ಪರೀಕ್ಷೆ ಮಾಡಿಸಿದ.

P. T. O.

(2) ಕಾಯಿದೆಯ ಅಡಿಯಲ್ಲಿ ಪ್ರಕಟಿಸಲ್ಪಟ್ಟ ನಿಯಮಗಳು

(a) ಕನ್ನಡ ಭಾಷೆಯಲ್ಲಿ

(b) ಕನ್ನಡ ಮತ್ತು ಆಂಗ್ಲ ಭಾಷೆಯಲ್ಲಿ

(3) ಕಾಯಿದೆಯ ಅಡಿಯಲ್ಲಿ ಪ್ರಕಟಿಸಲ್ಪಟ್ಟ ನಿಯಮಗಳು

(a) ಕನ್ನಡ ಭಾಷೆಯಲ್ಲಿ

(b) ಕನ್ನಡ ಮತ್ತು ಆಂಗ್ಲ ಭಾಷೆಯಲ್ಲಿ

B/11-2.

Registrar

ಮೈಸೂರು ಗಾರ್ನ್‌ಮೆಂಟು ಕೋ_ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ.

ಸರ್ಕ್ಯುಲರ್ ನಂ. 3.

ತಾರೀಖು 27ನೆಯ ಜುಲೈ 1934.

ಎಲ್ಲಾ ಕೋ_ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ಸೆಕ್ರಿಟರಿಯವರುಗಳಿಗೆ.—

ಸೊಸೈಟಿಗಳ ಬೈಲಾಗಳಲ್ಲಿ ವಿಧಾಯಕವಾಗಿರುವಂತೆ "ಮೆಂಬರುಗಳ ಮೇಲೆ ನಿಂತಿರುವ ಬಾಕಿಗಳನ್ನು ಆಗಿಂದಾಗ್ಗೆ ಪರೀಕ್ಷಿಸಿ ಮುಡುವುದು ಮತ್ತು ನಷ್ಟಕ್ಕೆ ರಹಾ ಇಲ್ಲದಂತೆ ಸದರಿ ಬಾಕಿಗಳನ್ನು ವಸೂಲ್ಮಾಡುವುದಕ್ಕೆ ತಕ್ಕ ಏರ್ಪಾಡು ಮಾಡುವುದು" ಪಂಚಾಯಿತರ ಕರ್ತವ್ಯಗಳಲ್ಲಿ ಮುಖ್ಯವಾದ ಅಂಶವಾಗಿರುತ್ತದೆ. ಹೀಗಿದ್ದರೂ ಅನೇಕ ಸೊಸೈಟಿಗಳ ಪಂಚಾಯಿತರು ಈ ಭಾಗದಲ್ಲಿ ತಮ್ಮ ಕರ್ತವ್ಯವನ್ನು ಗಮನಿಸದೆ ಸಾಲಗಳ ವಸೂಲಾತಿಗೆ ಅವಶ್ಯಕವಾದ ಕ್ರಮಗಳನ್ನು ಸಕಾಲದಲ್ಲಿ ನಡೆಯಿಸದೆ ಕರಡು ಸಾಲಕ್ಕೆ ಅವಕಾಶಕೊಡುವುದಲ್ಲದೆ ಕೆಲವು ಸಾಲಗಳಿಗೆ ವಾಯಿದೆ (ಲಿಮಿಟೇಷ್ಷ) ಗತಿಸುವುದಕ್ಕೆ ಸಹ ಅವಕಾಶವುಂಟುಮಾಡುತ್ತಾರೆಂದು ನಮ್ಮ ಅವಗಾಹನೆಗೆ ಬಂದಿದೆ. ಸೊಸೈಟಿಗಳ ಬೈಲಾ ಪ್ರಕಾರ "ಪಂಚಾಯಿತರು ತಾವು ಮಾಡುವ ಎಲ್ಲಾ ಕೆಲಸಗಳಿಗೂ ಸೊಸೈಟಿಗೆ ಜವಾಬ್ದಾರರಾಗಿರುತ್ತಾರೆ". ಆದುದರಿಂದ ಮೇಲ್ಕಂಡಂತೆ ಸಾಲ ವಸೂಲಾತಿಗೆ ತಕ್ಕ ಕ್ರಮವನ್ನು ನಡಿಸದೆ ಹೋದರೆ, ಪಂಚಾಯಿತರ ಅಕ್ರಮ್ಧೆಯಿಂದ ಸೊಸೈಟಿಗೆ ಉಂಟಾಗುವ ನುಕ್ಸಾನಿಗೆ ಪಂಚಾಯಿತರನ್ನೆಲ್ಲಾ ಜವಾಬ್ದಾರರನ್ನಾಗಿ ಮಾಡಿ ನಷ್ಟದ ಮೊಬಲಗನ್ನು ಅವರಿಂದ ವಸೂಲ್ಮಾಡಬೇಕಾಗುತ್ತೆ. ಆದಕಾರಣ ಈ ಜವಾಬ್ದಾರಿಯನ್ನು ಪಂಚಾಯಿತರು ಗಮನದಲ್ಲಿಟ್ಟುಕೊಂಡು ಬಾಕಿ ಪಟ್ಟಿಯನ್ನು ತಿಂಗಳಿಗೊಂದಾವರ್ತಿಯಾದರೂ ಪರೀಕ್ಷಿಸಿ ವಸೂಲಿಗೆ ಅವಶ್ಯಕವಾದ ಏರ್ಪಾಡುಗಳನ್ನು ಮಾಡಿ ಅವಧಿ ಗತಿಸದಂತೆ (ಅಂದರೆ ಲಿಮಿಟೇಷ್ಷ ಬಾರ್ ಆಗದಂತೆ) ನೋಡಿಕೊಳ್ಳಬೇಕಾಗಿ ಇದರಿಂದ ಸೂಚಿಸಿದೆ.

ಎಂ. ಜಿ. ಮೇಕ್ರಿ,
ರಿಜಿಸ್ಟ್ರಾರ್.

ನಂಬರ್ ಕೆ. ಸಿ. ಎಸ್.

ನುಲಭೂಪಿ ನಂಬರ್

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ಧರ್ಮಸ್ಥಳ ದಿನಾಂಕ 20. ತಿ 11- 2 - 37.

[redacted]

ಮೈಸೂರು ಸಿಕ್ರೆಟರಿಯವರಿಗೆ

ಸೆಕ್ರೆಟರಿಯವರಿಗೆ.

ಧರ್ಮಸ್ಥಳ ತಿಕ್ರಿ ಹಾಲಾಗಿ ತಿಂಡಿ ಮೇಲಿಲಗುಹಾಕಿವಿಂಡುವಲ್ಲಿ ಊರಸ್ಥರು ಮೇಲಿಲಗು ಹುಡಿದು ಬರ್ತಿಗೂಂ, ಬರ್ತಿಗೂ ಧರ್ಮಕರ್ತರು ಶಿವಿರಸ್ಥರಿಗೆ ಊಟಲಿಗೂ ಜಮಕೆಟ್ಟಿಗೆ ಮೇಲಿಲಗು ಹುಡಿದು ಬರ್ತಿಗಾಗಿ ಜಮಕಂಬಿಗೆ ಮೇಲಿಲಗು ಹುಡಿದು ಬರ್ತಿಗೂ ಹಾಕಿ

C H A P T E R. VI.

Item No.	
1. Preliminary Investigation	Accepted.
2. Individual borrowings to be confined to one Society.	Accepted. Vide recommendation regarding Multiple Membership. Chapter II.
3. Purpose of loans.	Accepted.
4. Period.	Accepted as referring to ordinary credit institutions.
5. Assessment of credit.	The suggestions seems generally suitable it being clearly understood, however, that every application for loan by a member Society should be investigated and disposed of on merits, and and not sanctioned as a matter of course on the basis of its creditworthiness as thus ascertained
6. Fixing of credits.	Do. Do.
7. Normal credit.	Do. Do.
8. Information as to loans.	Accepted.
9. Cash credits.	Accepted.
10. Margin of interest.	Generally suitable.
11. Security.	The present practice of classifying loans according to the personal or property security may continue.
12. Taking over lands of defaulters.	The suggestion does not seem to be quite practicable and would involve Societies in difficulties arising from the responsibility of managing trust

Item No.		
13.	Loans on crops.	Accepted. Action is being taken.
14.	Prior claim to be converted into charge.	The suggestion will be examined. Action will be taken after the report
15.	Shares and Provident fund bonds not to be accepted as security.	Generally acceptable.
16.	Disbursement of loans.	Delay in the disbursement of loans is no doubt undesirable but very often is necessitated by the circumstances of each case. The Registrar reports that there has been no general complaint of great delay in the disposal of cases.
17.	Utilization of loans.	Seems desirable but would perhaps be difficult in practice.
18.	Repayments.	Accepted.
19.	Penal interest and rebates.	The Registrar may bear this in mind in fixing the rates of penal interest.
20.	Extensions for proper cause.	Noted.
21.	Adjustments of payments.	The suggestion seems suitable. The Registrar has issued instructions on the basis of this recommendation already.
22.	Repayments.	Noted.
23.	Renewals.	The principle enunciated seems healthy The Registrar may consider what action

Item No.	
23 (continued.	may be taken to get societies to conform to it.
24. Credit statements and demand and recovery statements.	Accepted.
25. Accounts of loans.	Seems desirable. The Registrar has issued a circular.
26. Responsibility for negligence.	The Registrar proposes the amendment of Co-operative Societies the/Regulation to give effect to the recommendation. The matter is under examination.
27. Precautionary measures.	Noted.
28. Defaulters.	Some provision in the rules in this sense seems to be desirable. The matter is under consideration (Vide recommendation in the Election Rules).
29. Systematic examination of outstandings.	Accepted. The Registrar has issued instructions that lists of outstandings should be examined in every society. The Inspector should see that this instruction is observed.
30. Overdue interest not to be included in net profits.	The recommendation is very salutary. The Registrar is requested to take action in accordance with the rules, the rules being amended, if necessary.
31. Maximum dividends.	Accepted.
32. Reserve in case of thrift and savings societies.	There are no such societies.

Item No.	
33. Proportion of owned capital to liabilities.	Noted.
34. Employment of reserves.	The suggestion that some portion of the reserve fund should be invested in one or other of the modes laid down in the Regulation and rules up to a limit prescribed by the Registrar is suitable. Government consider that this principle might apply to unlimited Societies also. It is also desirable that some portion of the fund set apart for investment outside should be placed with the Apex Bank. The Registrar is requested to make suitable proposals in this behalf suggesting the amendment of the Regulation and the rules should this be necessary.
35. ~~35~~. Investment of Reserve fund.	Do. Do.
36. Profit on reserve used as ~~36. Profit on reserve used as~~ capital.	The suggestion is salutary and it is understood that several societies are following this procedure.
37. Bad debt fund.	Accepted. It is understood that instructions have been issued by the Registrar.
38. Share transfer fund.	The proposal seems salutary. The Registrar may consider how far it can be given effect to.
39. Contributions to charitable purposes.	The matter is under examination. The proposals of the Registrar in this respect are under consideration

The Fourth All India Co-operative Conference, B a n g a l o r e.
held on 3rd & 4th July 1937.

Resolutions passed.

1. This Conference resolves to request the Government of India to so amend the Indian Income-Tax Act as to exempt from ~~Income~~ Income-Tax and Super Tax the incomes derived by co-operative societies from (a) investment of their own reserve funds in Government securities; (b) investment in Government securities for purposes of fluid resource to be maintained on a prescribed scale, under statutory obligation, in force in each province.

2. This Conference does not agree with the view that the provincial Banks will not command confidence of the investing public, by their Boards being largely composed of borrowers. The constitution of Apex Banks is in accordance with sound principles of co-operation and they do command in abundance the confidence of the public.

3. This Conference is of the opinion that the statement made by the Reserve Bank that the margin between the lending rate and the borrowing rate of co-operative Banks is low and the rates should be raised, is not generally correct. The margin of profit depends mainly upon the borrowing rates, lending rates, cost of management, etc.

While conceding that these factors depend upon local conditions and circumstances, this conference places on record its considered opinion that the aim of co-operative societies should be to make credit as cheap as possible and the existing rates of interest should not be raised, except when by local conditions it is considered absolutely necessary.

4. This Conference considers it undesirable to provide any representation to depositors, as such, on boards of Provincial Banks, whether by nomination or other means.

5. This Conference while agreeding with the view that long term credit should be provided only through Land-mortgage Banks is not in favour of the recommendation that loans from Central Banks and societies should be strictly confined to cultivation finance only.

Other necessary forms of short and intermediate credit required by members should also be found in order to prevent them from resorting to money-lenders. Provided however, that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from those sources.

6. This Conference, whole recognising the necessity of bringing down the level of the debts of members where there is no reasonable prospect of their recovery in full even if long extensions are given, does not consider it desirable that any hard and fast rul should be laid down for all banks and in all areas. With the rise in prices and other favourable conditions the position may change as it has done already in certain areas; and it must be left to the Banks and societies to deal with the problem according to local conditions.

This Conference, while agreeing with the proposal that a statutory fixed or agricultural charge upon produce should be created, does not favour any special provision for sending to prison of members who dispose of their produce without repaying the societies' dues.

8. This conference recognises that multiple purpose societies have proved beneficial in certain areas and possess some advantages where they can be successfully set up, and while it is not prepared to recommend it for general adoption, is of opinion that such societies may be tried wherever circumstances permit.

9. This Conference is unable to agree with the view that Central Banks operating over small areas are preferable to larger banks and that large district banks must be split up into small banks

10. This Conference, while it recognises that a pure type of central banking union composed entirely of primary societies and with no individual shareholders has much to commend in it, from a co-operative point of view, it of opinion that such unions are not capable of being developed and efficiently worked in many areas. They were tried and abandoned in some areas. The matter must be left to local co-operative enterprise according to local conditions.

11. This Conference agrees with the view that the practice of making debentures of land mortgage banks redeemable at any time is unsound and that a period should be fixed for the redemption of those debentures; a fund into which collections of principal are pooled should be formed for redeeming debentures and provision should also be made for retiring them by purchase in open market whenever possible.

12. This Conference favours the free and compul..., ...ing and registration of all money-lenders, requiring them to maintain regular and standardised accounts and fixing the maximum rates of interest allowable on agricultural loans.

13. Societies for members of depressed classes who are employed in Municipalities and in trades like skins and hides be encouraged and strengthened.

14. This Conference requests the co-operative institutions to popularise the movement among women and enlist them as members in large numbers in all types of societies.

15. Government of every Province and State be requested to give liberal and substantial financial help to the Provincial Co-operative Institutes and Land-mortgage Banks out of the Provincial or State Revenues.

16. This Conference requests the Government to take suitable steps so that co-operative societies holding shares in the Reserve Bank of India should be permitted to nominate by a duly authenticated resolution of the committee any member of the society as a representative to attend and vote at general body meetings of the Reserve Bank.

17. This Conference is of opinion that it is essential that the officer selected for the post of the Registrar should first have undergone special training and have shown by experience

experience his fitness for the work. He should be allowed to visit other Provinces of India as well as Europe to study the co-operative movement there. There should be an officer under training to succeed the Registrar.

18. This Conference requests the Governments to make statutory provision for notice in writing of not less than thirty days being given to a co-operative society before any suit is filed against it.

19. This Conference is of opinion that the recommendation of the Mysore Co-operative Enquiry Committee prohibiting grant of loans to non-member depositors on the security of their deposits is unsound. The Bank must have discretion in granting such loans.

C.S. 11-36-290

12 copies

Proceedings of the Govt. of His Highness the Maharaja of Mysore.

Read :-

Chapter VI of the Report of the Committee on Co-operation in Mysore dealing with questions relating to the employment of the capital of Co-operative Societies.

2. Letter No.6643 dated 15th February 1937 from the Registrar of Co-operative Societies in Mysore forwarding his views on the several recommendations made in the Report.

Order No. D 1671/C.S. 11-36-290

Dated, Bangalore, 7th September 1938.

The recommendations in this chapter deal with the several methods of employing the capital attracted by Co-operative Societies, the rates of interest to be charged, the building up and utilisation of reserve funds and the method of distribution of profits etc. Many of the recommendations are instructions to the societies and it has been reported that several of the recommendations have either found a place already in the byelaws of societies or that the Department has issued circular instructions to give effect to such proposals. There are however several important points which required the orders of Government.

The Committee have set out in detail the precautions to be taken both by Central and Primary institutions while granting loans. To avoid heavy borrowing beyond their repaying capacity by persons who are member

in several societies and consequent loss to such societies, the Committee have, ~~in connection with the development of credit societies and/the case of the grant of loans~~, advocated the restriction of membership. Government, after carefully considering the question, have ~~found that the balance of advantage lies in~~ accepting the recommendation of the Committee, that no person being a member of a credit societ except a L.M.Bank or H.B.Society or a Central Financing Bank should be a member of any other credit society without the general or special sanction of the Registrar, and, that where a person has become a member of two or more such societies, either one or more or all of the societies concerned shall be bound to remove him from membership upon a requisition from the Registrar. They have accordingly framed a new rule 6 (c) under the Act to give effec to this order (Vide Notn.D.8213/CS.11-36-254 dated 25-4-38).

Flag V (page 2)

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Assessment of Credit, Fixing of Credit & Normal Credit

The next important recommendation of the Committee is that the Central Institution should assess the credit of the primary society, that societies should lend money more on the repaying capacity of the borrower than on the value of his property and assets and that the Managing Committee and not the general body, should fix the credit of each member to avoid delay in the disposal of loan applications. It is also stated that the introduction of the normal credit system in primary societies, particularly in rural institutions, is desirable.

Government agree with the suggestions of the Committee and commend them for adoption by the more important institutions, it being clearly understood, however, that every application for a loan by a member of a primary society or a member of a Central institution should be carefully investigated on its merits, and not sanctioned as a matter of course, on the basis of the credit worthiness once ascertained.

Loans on crops.

The Committee state that agricultural credit societies and loan and sale societies should grant short term loans on crops grown by the members under due safeguards, and recommend the amendment of Section 19 of the C. S. Act converting the lien on the property into a charge, in order to enable the society to have a first claim thereon without going to a court, and, that the priority should be made available against any claim of the Government arising from a subsequent loan under the Land Improvement Loans Act. Government have already accepted this recommendation in their order No. D. 2433-38/CS 11-36-165 dated 21-9-37 and have separately under consideration the question of amending Section 19 of the C. S. Act.

Credit & D.C.B. statements and Accounts of loans.

The Committee suggest that it is desirable to insist on the maintenance of credit statements, and Demand and Recovery statements in societies, and that the system of accounts should show clearly whether any repayments have been made, what loans have been extended and which have became overdue. In their opinion loans overdue for more than three

years should ordinarily be treated as bad debts. Government accept the first part of the recommendation but consider that loans overdue for more than three years need not necessarily be treated as bad debts. Debts should be classified as bad or doubtful according to their nature and not solely on the ground that they are long overdue. It is understood that the Registrar has issued necessary circular instructions in the matter.

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The Committee recommend that the members of the Committee of management should be made personally responsible, jointly and severally for the repayment of loans which ~~by~~ owing to their negligence may have become time-barred. Government have already passed orders accepting the recommendations of the Committee in their order No. D.661/CS.11-36-140 dated 22-7-37. The question of amending Section 43 A of the C.S.Act to give effect to this order is separately being considered.

Page 7

Defaulters.

The Committee observe that persons against whom coercive steps have been taken must be considered ~~as~~ to be unfit to continue to be members and should automatically cease to be ~~such~~ such (unless liable only as sureties) and that a person who has defaulted in respect of his own loan for 3 months should be disqualified from the office of a member of the committee. It is reported that in common practice, when a defaulter has been sued, he is automatically removed from membership except when the

society is indebted to any central institution, when, he is continued as member in order only to keep alive his liability for the society's debt to the central institution. Instructions are reported to have been issued to societies for disqualifying from election to the directorate any person who is a defaulter for more than 3 months. This disqualification has also been embodied in the Rules of Election to the Committees of Management issued by Government with Notification No.D.4923/C 11-36-231 dated 12th/15th January 1938.

Treating accrued but unrealised interest as profits.

On the question of treating accrued but unrealised interest as profits for distribution of dividends, the committee propose the promulgation of a rule prohibiting the inclusion of all accrued but unrealised interest as profits for distribution. Government have passed orders on this proposal in their order No.D.596/C.S.107-37-6 dated 22nd July 1938 accepting the recommendation of the committee and a draft rule giving effect to the orders has since been published for general information calling for objections. (Notification No. 994/C.S.14-38-6 dated 6th August 1938).

Employment and investment of reserves.

In connection with the employment and investment of reserve fund of co-operative societies, the committee state that the reserve fund should ordinarily be invested in one or the other modes mentioned in the Act and the Rules, up to a limit prescribed by the Registrar, the excess being permitted to be employed productively in the society's busines

They, however, state in the case of unlimited societies and societies which do not receive deposits, the entire or greater part of the fund may be utilised for working expenses, productive purposes &c., a moiety invested outside in other approved institutions. The Apex Bank, the Committee recomend, should invest a third of the fund in gilt-edged securities, the remainder being used as working capital, and the primary societies should invest their reserve fund either in gilt-edged securities or guaranteed debentures, or deposit it in the Apex Bank. They also state that the option given to a society by section 32 of the Act to invest funds in the shares of any other society shall be qualified by a proviso that no such investment shall be made in the shares of any society other than one with limited liability.

The Registrar is of opinion that all societies should be compelled to invest one-third of their reserve fund in outside institutions, the balance only being allowed to be utilised as working capital of the society, that this outside investment should be in the Apex Bank, and investments in excess of one-third may be permitted in other forms prescribed in the Act. He therefore suggests that Rule 17 of the Rules may be suitably amended. This question will be separately examined.

Contribution for charitable purposes.

As regards the contributions from the profits of the society towards charitable purposes, the Committee recommend that the existing limit of 15% prescribed in Section 34 of the Act may be raised to 20% and that at least 1/3 of this should be earmarked for the constitution of a ~~financial~~ provincial fund for the promotion of co-operative education. Government consider that the present percentage fixed in the Act is sufficient. The question of levying a contribution from societies for the promotion of co-operative education and the opening of training classes in co-operation are separately under examination.

Investigation into loans margin of interest. Systematic examination of outstandings Purpose of loans. Period of loans. Information as to loans. Cash credit. Securities to be accepted. Disbursement of loans, maximum dividends, proportion owned capital to liabilities. Profits on reserve used as capital and Bad Debt Reserve.

may perhaps be delayed

Government note with approval the other recommendations of the Committee ~~on the subjects noted in the margin.~~ These recommendations are advisory in character and are based on sound co-operative practic

15-8-35

Secretary to Government
L. S. G. Department

168/1578

To

The Registrar of Cooperative Societies in Mysore

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE.

Read :—

Chapter VI of the Report of the Committee on Co-operation in Mysore making recommendation/(vide annexure) on questions relating to the employment of the capital of Co-operative Societies.

2. Letter No.6643 dated 15th February 1937 from the Registrar of Co-operative Societies in Mysore forwarding his views on the several recommendations made in the Report.

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ORDER NO. D 1671 / C.S. 11-36-290

Dated, Bangalore, the 7th September 1938.

The recommendations in this Chapter deal with the several methods of employing the capital of Co-operative Societies, the rates of interest to be charged, the recovery of debts, the building up and utilisation of reserve funds and the method of distribution of profits, etc. Many of the recommendations are in the nature of advice to the Societies as to the manner of conducting their business and several of them have either found a place already in the byelaws of Societies or have been brought to their notice by the Department through circular instructions. There are, however, several important points which require the orders of Government.

Multiple Membership:- The Committee have set out in detail the precautions to be taken both by Central and Primary institutions while granting loans. To avoid heavy borrowing beyond their repaying capacity by persons who are members in several Societies and consequent loss to such Societies, the Committee have advocated the restriction of membership. Government, after carefully considering the question, have accepted the recommendation of the Committee, that no person being a member of a Credit Society except a Land Mortgage Bank or House Building Society or a Central Financing Bank should be a member

of any other Credit Society without the general or special sanction of the Registrar, and, that where a person has become a member of two or more such Societies, either one or more or all of the Societies concerned, shall be bound to remove him from membership upon a requisition from the Registrar. They have accordingly framed a new rule 6 (c) under the Act to give effect to this order (Vide Notification No.8213/CS.11-36-254 dated 25th April 1938).

Assessment of credit, Fixing of credit & Normal credit:- The next important recommendation of the Committee is that the Central Institution should assess the credit of the primary society, that societies should lend money more on the then repaying capacity of the borrower than on the value of his property and assets and that the Managing Committee and not the General Body, should fix the credit of each member to avoid delay in the disposal of loan applications. It is also stated that the introduction of the normal credit system in primary societies, particularly in rural institutions, is desirable. Government agree with the suggestions of the Committee and commend them for adoption by the more important institutions, it being clearly understood, however, that every application for a loan by a member of a primary society or a member society of a Central Institution should be carefully investigated on its merits, and not sanctioned as a matter of course, on the basis of the creditworthiness once ascertained.

Loans on crops:- The Committee state that agricultural credit societies and loan and sale societies should grant short term loans on crops grown by the members under due safeguards and recommend the amendment of Section 19 of the Co-operative Societies Act converting the lien on the property into a charge, in order to enable the society to have a first claim thereon without going to a court, and that priority should be made available to the Society against any claim of the Government arising from

a subsequent loan under the Land Improvement Loans Act. Government have already accepted this recommendation in their order No.D.2433-38/CS.11-36-165 dated 21st September 1937 and have separately under consideration the question of amending Section 19 of the Co-operative Societies Act.

Credit & D. C. B. Statements and Accounts of loans:- The Committee suggest that it is desirable to insist on the maintenance of credit statements, and Demand and Recovery statements in societies, and that the system of accounts should show clearly whether any repayments have been made, what loans have been extended and which have become overdue. In their opinion, loans overdue for more than three years should ordinarily be treated as bad debts. Government accept the first part of the recommendation but consider that loans overdue for more than three years need not necessarily be treated as bad debts. Debts should be classified as bad or doubtful according to their nature and not solely on the ground that they are long overdue. It is understood that the Registrar has issued necessary circular instructions in the matter.

Responsibility for negligence:- The Committee recommend that the members of the Committee of management should be made personally responsible, jointly and severally, for the repayment of loans which may have become time-barred owing to their negligence. Government have already passed orders accepting the recommendations of the Committee in their order No.D.661/CS.11-36-140 dated 22nd July 1937. The question of amending Section 43 A of the Co-operative Societies Act to give effect to this order is being separately considered.

Defaulters:- The Committee observe that persons against whom coercive steps have been taken must be considered to be unfit to continue to be members and should automatically cease to

be such (unless liable only as sureties) and that a person who has defaulted in respect of his own loan for 3 months should be disqualified from the office of a member of the Committee. It is reported that, in common practice, when a defaulter has been sued, he is automatically removed from membership, except when the society is indebted to any central institution, when, he is continued as member in order only to keep alive his liability for the society's debt to the central institution. Instructions are reported to have been issued to the societies for disqualifying from election to the directorate any person who is a defaulter for more than 3 months. This disqualification has also been embodied in the Rules of election to the Committees of Management issued by Government with Notification No.D.4923/CS.11-36-231 dated 12th/15th January 1938.

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the entire or greater part of the fund may be utilised for working expenses, productive purposes etc., and that in the case of other societies a moiety may be invested outside in other approved institutions. The Apex Bank, the Committee recommend, should invest a third of the fund in gilt-edged securities, the remainder being used as working capital; and the primary societies should invest their reserve fund either in gilt-edged securities or guaranteed debentures, or deposit it in the Apex Bank. They also state that the option given to a society by section 32 of the Act to invest funds in the shares of any other society shall be qualified by a proviso that no such investment shall be made in the shares of any society other than one with limited liability.

The Registrar is of opinion that all societies should be compelled to invest one-third of their reserve fund in outside institutions, the balance only being allowed to be utilised as working capital of the society, that this outside investment should be in the Apex Bank, and investments in excess of one-third may be permitted in other forms prescribed in the Act. He therefore suggests that Rule 17 of the Rules may be suitably amended. This question will be separately examined.

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Government note with approval the other recommendations of the Committee. These recommendations are advisory in character and are based on sound co-operative practice.

H. Srinivasa Rao

Secretary to Government,
Local Self-Government Department.

To

The Registrar of Co-operative Societies in Mysore.

App. F VI G 10.

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS

P B No 12
10.9.38

G. O. No. D 1671/Gs II-36-290 DATED 7-9-38

May this be

i. printed ? Yes

ii. treated as a standing order ? Yes

iii. published in the Gazette English Part ?
iv. translated ?
v. placed at the disposal of the press ?
iv. published in the Gazette Kannada Part ?
} Yes

11/9/38

Report of the Committee on Cooperation

Paisa orders on the recommendations contained in Chapter VI of the ——— in Mysore

9/9/38

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. D. 1671—C. S. 11-36-290, dated 7th September 1938.

Report of the Committee on Co-operation.

Passes orders on the recommendations contained in Chapter VI of the —— in Mysore.

READ—

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2. Letter No. 6643, dated 15th February 1937, from the Registrar of Co-operative Societies in Mysore, forwarding his views on the several recommendations made in the Report.

ORDER NO. D. 1671—C. S. 11-36-290, DATED BANGALORE, THE 7TH SEPTEMBER 1938.

The recommendations in this Chapter deal with the several methods of employing the capital of co-operative societies, the rates of interest to be charged, the recovery of debts, the building up and utilisation of reserve funds and the method of distribution of profits, etc. Many of the recommendations are in the nature of advice to the societies as to the manner of conducting their business and several of them have either found a place already in the bye-laws of societies or have been brought to their notice by the department through circular instructions. There are, however, several important points which require the orders of Government.

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No. D. 1671—C. S. 11-36-290, DATED 7TH SEPTEMBER, 1938.

Loans on Crops.—The Committee state that agricultural credit societies and loan and sale societies should grant short-term loans on crops grown by the members under due safeguards and recommend the amendment of Section 19 of the Co-operative Societies Act converting the lien on the property into a charge, in order to enable the society to have a first claim thereon without going to a court, and that priority should be made available to the society against any claim of the Government arising from a subsequent loan under the Land Improvement Loans Act. Government have already accepted this recommendation in their order No. D. 2433-38—C. S. 11-36-165, dated 21st September 1937, and have separately under consideration the question of amending Section 19 of the Co-operative Societies Act.

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Treating Accrued but Unrealised Interest as Profits.—On the question of treating accrued but unrealised interest as profits for distribution of dividends, the Committee propose the promulgation of a rule prohibiting the inclusion of all accrued but unrealised interest as profits for distribution. Government have passed orders on this proposal in their order No. D. 596—C. S. 107-37-6, dated 22nd July 1938, accepting the recommendation of the Committee and a draft rule giving effect to the orders has since been published for general information. (Notification No. D. 994—C. S. 14-38-6, dated 6th August 1938.)

Employment and Investment of Reserves.—In connection with the employment and investment of reserve fund of Co-operative Societies, the Committee state that the reserve fund should ordinarily be invested in one or the other modes mentioned in the Act and the Rules, upto a limit prescribed by the Registrar, the excess being permitted to be employed productively in the society's business. They, however, state that in the case of unlimited societies and societies which do not receive deposits, the entire or greater part of the fund may be utilised as working capital or for granting loans for productive purposes, etc., and that in the case of other societies a moiety may be invested outside in other approved institutions. The Apex Bank, the Committee recommend, should invest a third of the fund in gilt-edged securities, the

remainder being used as working capital; and the primary societies should invest their reserve fund either in gilt-edged securities or guaranteed debentures, or deposit it in the Apex Bank. They also state that the option given to a society by Section 32 of the Act to invest funds in the shares of any other society shall be qualified by a proviso that no such investment shall be made in the shares of any society other than one with limited liability.

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Government note with approval the other recommendations of the Committee. These recommendations are advisory in character and are based on sound co-operative practice.

P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

To—The Registrar of Co-operative Societies in Mysore.

No. D. 1671—C. S. 11-36-290, DATED 7TH SEPTEMBER 1938.

ANNEXURE.

A loan should in no case be given without adequate preliminary investigation. In the case of loans to societies, the central financing bank ought to make its own independent investigation irrespective of the Registrar's recommendation. In the case of loans to individual members, it is most important to scrutinize carefully the purpose of the loan and the repaying capacity of the borrower.

Preliminary investigation.

Where a person is a member of more credit societies then one, he should be required to confine his borrowings to one of them. If a member of an unlimited liability society joins another one and so pledges his liability twice over, he ought to be expelled. There should be a clear rule that, where a person has become a member of two such societies, either or both of the societies shall be bound to remove him from membership upon a requisition from the Registrar.

Individual borrowings to be confined to one society.

Loans should not be granted except for productive purposes. But where owing to custom or sentiment some non-productive expenditure has to be accepted as necessary, the loans should be granted sparingly and under close supervision.

Purpose of loans.

Co-operative institutions should be required to confine their business to short-term credit, that is, for periods not exceeding five years and, with due circumspection, to credit for intermediate periods between five and ten years. Credit for periods over ten years must be treated as long credit, and altogether eschewed by the ordinary co-operative institutions.

Period.

The central financing bank should assess the credit of an affiliated society after re-examining and testing the society's own estimate of its borrowing power and the data on which the society has fixed the normal credit of its members, and considering the society's needs and its own existing funds. Loans granted by societies to members sould be based, not so much upon the value of their property and assets as upon their capacity to repay out of the proceeds of their crops or other incomings in the case of short loans, and out of thir savings in the case of other loans.

Assessment of credit.

Except in rural societies with a limited membership, the fixing of credit for each individual member is a matter not for the general meeting, but for the managing committee, subject to the maximum credit limits fixed by the general body.

Fixing of credit.

The introduction of the normal credit system in primary societies is desirable, particularly as regards rural societies.

Normal credits.

In the case of societies with unlimited liability, a list showing the loans issued to every member, the names of sureties, and the amount of loan unpaid should be kept open to inspection.

Information as to loans.

In well-established societies, the practice of allowing cash credits to individual members may be adopted with advantage. Similarly, cash credits should be freely opened by the central financing institution in favour of well-managed societies, but should be subject to annual renewal.

Cash Credit.

The rates of interest charged by the central financing banks on loans to societies must, on the one hand, be materially lower than those charged in the bazaar to persons of the class from whom the members are drawn, and yet must be substantial enough to provide the large margin necessary for maintaining adequate fluid resource, building up a reserve and meeting working expenses. The rates will, at the same time, vary on a definite system with reference to the character of the borrowing society and the length of the loan. Two and a half or at the most 3 per cent may be taken in the average as a safe and reasonable margin. The maximum rates charged by societies to members should not depart widely (that is, by more than one or one and a half per cent) from the current market rates.

Margin of interest.

No. D. 1671—C. S. 11-36-290, DATED 7TH SEPTEMBER 1938.

Security.

The primary security for every loan should generally be personal. Ordinary co-operative societies would be well advised to shun mortgage security, to confine themselves to personal securities for all loans, and to protect themselves by limiting the loans issued to amounts and periods for which such security is suitable. In the case, however, of loans for intermediate periods, it may be necessary for societies to take collateral protection in the shape of a pledge or mortgage of tangible property.

Taking over lands of defaulters.

Societies may be permitted, in the absence of bidders for the lands of defaulters, to take them over for a nominal bid, administering them like trust properties on behalf of the defaulters and returning them to the latter whenever the liability is liquidated.

Loans on crops.

Agricultural credit societies and loan and sale societies, should grant short-term loans on the security of harvested crops grown by members, and, under due safeguards, on standing crops also.

Prior claim to be converted into charge.

Section 19 of the Act gives a society a prior claim to enforce demands against certain property of its members. This should be converted into a charge so that a society may have a first claim without having to obtain a decree. The priority should be made available against any claim of the Government arising from a subsequent loan under the Land Improvement Loans Act.

Shares and Provident Fund Bonds not to be accepted as security.

The member's own share should never be accepted as security for a loan. Similarly shares held by a society in a central institution should not be accepted by the latter as security for a loan. The security required from societies should ordinarily take the form of pro-notes. It is very undesirable to accept provident fund bonds as security for loans.

Disbursement of loans.

Loans should be disbursed with fair promptitude. The introduction of a system of normal credits will help substantially to minimise delay in the issue of loans. Where loan applications are numerous, sub-committees may be appointed to grant loans upto a specified limit, beyond which the applications should come before the full committee of management.

Utilisation of loans.

The proper utilization of the loan should not be left to the borrower's discretion or the vigilance of his sureties, but should be watched and scrutinized by the managing committee.

Repayments.

While the special needs of individual borrowers will determine the periods for which loans are granted, repayments should be on dates convenient to the borrower as well as to the society or bank.

Penal interest and rebates.

Penal interest, if levied, should not be excessive; in any case it should not exceed the ordinary rate by more than 2 per cent. It is desirable to have a regular system of rebates for prompt repayments.

Extensions for proper cause.

Renewals and extensions should not be granted too freely and without just cause. The existing conditions of economic depression and diminished earnings warrant some relaxation.

Adjustments of payments.

*All payments on account of decreed debts should be carried to principal and not to interest; no credit should be taken for interest until the principal has been repaid.

Repayments must be real, and must correspond with a real reduction of the borrower's liabilities, and not be made by a re-arrangement of debts.

Renewals.

Renewals should not be permitted until the interest in full and at least 25 per cent of the principal is paid by the borrower, nor in any case till after the lapse of a prescribed interval, which should not be less than a month or six weeks.

Credit statements, and Demand and Recovery statements.

It is desirable to insist on the maintenance of "Credit Statements," as well as to introduce a system of "Demand and Recovery" statements.

Accounts of Loans.

The system of accounts should show clearly whether any repayments have been made, what loans have been extended, and which have become overdue. Renewed and overdue loans must be clearly discernible. Loans overdue for more than three years should ordinarily be treated as bad debts.

Responsibility for negligence.

The members of the committee should be made personally responsible, jointly and severally, for the repayment of loans which by their negligence may have become time-barred.

Precautionary measures.

The application of personal pressure on the borrower's sureties should always be the first of the precautionary measures to be adopted. Apart from this, the only other way of ensuring payment is to put pressure upon the borrower to repay according to the best of his capacity.

Defaulters.

Persons against whom coercive steps have been taken show themselves to be unfit to continue to be members, and should automatically cease to be such (unless liable only as sureties.) A person who has defaulted in respect of his own loan for three months should be disqualified from the office of a member of the committee.

Systematic examination of outstandings.

Societies and financing banks should undertake a systematic examination of their financial position with reference to their outstandings. Every loan in each society should be examined with a view to ascertain whether it is adequately secured, and whether action should be taken at once to collect it, or time can be given to enable the borrower to pay it of his own accord. In addition to action taken by societies, the central institutions should themselves set on foot intensive schemes for an examination of all loans outstanding against members in primary societies.

Overdue interest not to be included in net profits.

There should be a definite rule prohibiting the inclusion of all accrued and unrealized interest for the purpose of reckoning profits for distribution. But in the case of central institutions the Registrar may, in special cases, permit an exemption in favour of preference shareholders. Interest earned but not realized should be shown separately in the profit and loss account. All accrued interest so deducted, which is actually recovered during a subsequent year, may, however, be permitted to be added to profits of such year available for distribution. No dividend should be paid otherwise than out of profits actually realized.

Maximum dividends.

The maximum dividend should be restricted to a fair interest on capital.

Reserve in case of thrift and savings societies.

Thrift and savings societies, which neither borrow from non-members nor lend to members in excess of their assets, should be exempted from maintaining a compulsory reserve.

Proportion of owned capital to liabilities.

The share capital *plus* the accumulated reserve fund should not be less than one-tenth of the total liabilities (including loans and deposits).

Employment of Reserves.

Usually, the reserve fund should be invested in one or other of the modes laid down in the Act and rules upto a limit prescribed by the Registrar, the excess being permitted to be employed productively in the society's own business.

In societies of unlimited liability, the bulk, if not the whole, of the reserve fund may be used in their ordinary business as working capital; so also in societies which have no deposits. But in other societies a moiety of the reserve fund should ordinarily be invested outside.

Investment of Reserve Fund.

In the case of the Apex Bank, one-third of the reserve fund should ordinarily be invested in gilt-edged securities, including redeemable Government securities or Land Mortgage or other debentures guaranteed by Government, and the remainder permitted to be employed as working capital. Reserve funds of primary societies should be either invested in gilt-edged securities or guaranteed debentures as aforesaid, or deposited with their central financing institutions.

The option given to a society by Section 32 to invest funds in the shares of any other society should be qualified by a proviso that no such investment shall be made in the shares of any society other than one with limited liability.

Profit on reserve used as captial.

Where any portion of the reserve fund is permitted to be used as working capital, interest thereon at the same rate as for deposits for one year should be added to the reserve.

Bad Debt Fund.

Co-operative societies and banks should be required to make satisfactory provision for all overdue loans considered to be irrecoverable before any dividend is declared. After the building up of a reserve fund has made some progress, it will be desirable to form a special Bad Debt Fund in addition.

Share Transfer Fund.

Limited liability societies will be well advised to create a "Share Transfer Fund."

Contributions to charitable purposes.

The limit of contribution fixed in Section 34 of the Act may be raised to 20 per cent of the net profits, and at least one-third of the aggregate ear-marked as a provincial fund for the promotion of co-operative education.

W D 445—GPB—470—20-9-38

Appendix F G—1]

SUBJECT .....

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Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *193* .

Date of issue 15-9-38

Signed by .....

Draft G.O. is submitted for approval

9/9/38

9/9

TYPING SECTION
9. SEP. 193
GENL & REVENUE SECTT.

List of enclosures.....

Copied by .....

Examined by.....

Section Gs

File No. 11-36

Serial No.

No. D 7852 Gen -1

To

Dear Sir

I am directed to forward herewith a copy of G.O No D 1671/Gs 11-36-290 dated 7-9-38 passing orders on the recommendations contained in Chapter II of the Report of the Committee on Co-operation in Mysore for information.

Yours truly

To

Rajasabhamaprabina
Dewan Bahadur
K.S. Chamarasaklena Iyer Esq
Retired Chief Justice
of the Chief Court of Mysore
Basavanagudi Post
Bangalore City

48

No. D 1852/CS.11-36. 15th September '38

encl — 1

Dear Sir,

I am desired to forward herewith a copy of Government Order No. D. 1671/C.S.11-36-290 dated 7th September 1938 passing orders on the recommendations contained in Chapter VI of the Report of the Committee of Co-operation in Mysore for information.

Yours sincerely,

DH)

15-9

Rajadharmapravina
Diwan Bahadur
K.S. Chandrasekhara Iyer, Esq., B.A., B.L.,
Retired Chief Justice of the
High ~~Chief~~ Court of Mysore,
Basavangudi Post,
Bangalore City.

Appendix F G—1]

SUBJECT.....

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Diary No. of letter replied to .....

General and Revenue Secretariat

( )

the *193* .

Date of issue 16.9.38

Signed by .....

List of enclosures.....

Copied by .....

Examined by.....

Section 6S

File No. 11-36

Serial No. 296.

No. D 1900

To

Dear Sir.

With reference to your D.O. letter of the 12th Sept 1938 suggesting certain Corrections in the G.O. No. D 1671/6S. 11-36-290 dated 7-9-38, I am directed to state that necessary Corrections are being made in the copies sent for publication in the Gazette.

I am to request that the Corrections suggested by you may kindly be incorporated in the Copies of the G.O. addressed to you.

Yours sincerely

for

16/9

To

M. Abdul Hakeem Esq BA

Registrar of CS.

Mr. P. H. KRISHNA RAO, M. A.,
Secretary to Government,
Local Self-Government Department.

GENERAL AND REVENUE SECRETARIAT,

Bangalore, Dated, 18th September 1958

D. O. No. D 1900/ CS. 11-36-296

Dear Sir,

With reference to your D.O. letter of the 12th September 1958 suggesting certain corrections in the Government Order No.D. 1671/C.S.11-36-290 dated 7th September 1958, I am desired to state that necessary corrections are being made in the copy sent for publication in the Gazette. I am to request that the corrections suggested by you may kindly be incorporated in the copy of the Government Order sent to you.

Yours sincerely,

16435

M. Aoqal Hukh, Esq., B.A.,
Registrar of Co-operative Societies in Mysor
Bangalore.